



# Kazakhstan: Agricultural Chemicals

Oxana Parshina &  
Galina Taradanova  
August 2008

## Summary

Kazakhstan's agricultural chemicals market, estimated at \$120 million, is experiencing steady growth. The Kazakhstan government and agricultural producers are determined to increase both production and exports of agricultural commodities, especially of grain, in order to benefit from current agricultural commodity prices and elevate the country's position as a major grain producer. The current application rate of agricultural chemicals remains low, but is projected to grow over the next 3-5 years as Kazakhstan plans to increase crop yields, mainly through the extensive introduction of fertilizers and pesticides. Due to insignificant local production of fertilizers and almost nonexistent production of pesticides, the market in Kazakhstan relies heavily on imports. Taking into account the above mentioned factors, Kazakhstan's market offers growing business opportunities for U.S. exporters of agricultural chemicals.

## Agricultural Sector Overview

Agriculture is one of the leading sectors of Kazakhstan's economy, though it only accounts for 6% of the national GDP, down from 34% in 1991. This is largely due to the increased importance of the oil, gas and mineral sectors, which have experienced rapid growth over the last 15 years. The total value of Kazakhstan's agricultural output was approximately \$7.2 billion in 2007, which includes \$3.7 billion of produce and grain and \$3.5 billion of livestock. Kazakhstan's agricultural output has been growing by 7-8% annually for the last five years. Currently, grain production is the most developed sub-sector and one of the most profitable areas in Kazakhstan's agricultural sector. The best opportunities for U.S. agricultural chemical exporters exist in supplying the needs of wheat growers, still the most active agricultural producers in Kazakhstan.

### Land

Agricultural land comprises 90.9 million hectares, with 20.3 million hectares of arable land (22.3%). A Land Code allowing private ownership of land was adopted in June 2003, but since that time only 0.09% of agricultural land has been purchased. Over 87,000 hectares are under long-term rent (up to 49 years), which remains the preferred method of agricultural land use in Kazakhstan. Farmers complain that the Land Code does not provide a sufficient base for secure ownership of land, and procedures of purchasing agricultural land are inconsistent and depend on the will of local administrations. For these reasons, land has not become an efficient instrument in raising financing through banks, as it is not considered sufficient collateral.

Kazakhstan boasts vast lands suitable for agriculture. There are 25 million hectares of black soils, 90 million hectares of chestnut soils, 119 million hectares of brown soils, and 37 million hectares of piedmont and mountain soils. Kazakhstan soils are characterized by a low level of fertility. According to the Ministry of Agriculture, 25% of arable lands contain less than 2% of humus and consequently are very nitrogen low, 47% contain 2-4% humus, and 24% of lands contain 4-6% humus. Only 4% of arable lands are highly fertile. 70% of arable lands have a very low level of phosphorus, 24% - medium level, while 3% - high level. The crop producing power of the land directly depends on use of fertilizers. However, the rate of mineral fertilizers applied in Kazakhstan remains very low at four kilograms per hectare, though projected to grow in the future.

### Major pests

In Kazakhstan, there are over fifty species of polytrophic pests, over a hundred species of special pests, seventy types of crop diseases, and over 120 species of weed plants. Without chemical protection, crop

losses are huge, reaching as high as 25-40% of the yield. Major treated pests include: locust, ear miner moth, tortoise beetle, anisoplia beetle, red spider, murine rodents, and rust and septoria disease of wheat.

## Market Highlights

### *Market Size and Imports*

In 2007, the agricultural chemicals market in Kazakhstan was estimated at \$120 million. Imports totaled \$105 million in 2007. Russia is the market leader for agricultural chemical imports with a 21% market share, followed by Germany (18%), Switzerland (13%), and China (9%). In 2007, Kazakhstani agricultural companies made the largest investments into packaged herbicides – about \$56 million.

The below statistics are unofficial estimates based on the National Statistics Agency of Kazakhstan reports and consultations with industry sources.

### **Agricultural Chemicals Market in Kazakhstan**

	<b>2007</b>
<b>Total Market Size</b>	\$120
<b>Total Imports</b>	\$105
<b>Total Exports</b>	\$14
<b>Imports from the U.S</b>	\$3
<b>Total Local Production</b>	\$29

Figures in USD million.

## Local Production

There are three major producers of fertilizers in Kazakhstan: the Taraz Branch for Production of Mineral Fertilizers of the Kazphospat Plant, the Chemical-Hydrometallurgical Plant in Stepnagorsk, and the Chemical-Hydrometallurgical Plant in Aktau. Although these plants have enough capacity to fully supply Kazakhstan's agriculture needs, they have not worked at full capacity since the breakup of the Soviet Union and produce fertilizers of low quality. The low quality is determined by the poor characteristics of raw materials used by the plants – close grained and complex rock phosphates from local deposits containing from 17% to 24.5% P<sub>2</sub>O<sub>5</sub>. This raw material is used for production of ordinary superphosphate containing 19% of P<sub>2</sub>O<sub>5</sub>, monoammonium phosphate containing 45% P<sub>2</sub>O<sub>5</sub> and 9% N, and nitrophos containing 22% P<sub>2</sub>O<sub>5</sub> and 22% N or 13% P<sub>2</sub>O<sub>5</sub> and 26% N.

The first recently launched pesticides factory in Southern Kazakhstan produces a limited amount of herbicides, defoliants and plant growing regulators. However, domestic production of pesticides remains very limited and has not largely impacted the market.

## Key Market Demand Factors

### *State Financial Support*

Kazakhstan's agricultural sector has been receiving increased infusions of investment from the national budget over the last five years. The total monetary government support to agriculture reached \$1.5 billion in 2008, which exceeds 2007 allocations by 58%. A large portion of government financing is intended for rural infrastructure development, a program encouraging people to move from economically non-viable regions to areas with high economic potential. Government allocations include about \$200 million worth of subsidies to farmers to cover costs of irrigation water, high quality seeds, fuel for agricultural machinery and agricultural chemicals.

The government of Kazakhstan makes continued efforts to stimulate local agricultural producers to increase the use of fertilizers, herbicides, and seed disinfectants. Starting in April 2006, the government subsidized purchases of agricultural chemicals by covering 40% of farmers' costs. In 2007, 3.5 million hectares of arable land were chemically treated with \$20 million worth of pesticides at the cost of the government.

### Increased Grain Production

Kazakhstan is a major producer and exporter of wheat - the seventh largest wheat exporter in the world. It exports wheat to more than 40 countries, mainly to regional markets in Russia, Azerbaijan, Tajikistan, Kyrgyzstan, Uzbekistan, Iran, Ukraine, Georgia, Belarus, Turkey, India, Italy, Greece and Egypt. Wheat is an important source of foreign currency, ranking high among the leading commodities in Kazakhstan's export trade.

Currently, average annual wheat production stands at about 15-16 million tons, six million tons of which are used domestically, while the rest is exported. Kazakhstan is pursuing a goal to increase annual grain production up to 25 million tons to become the fifth largest grain exporter in the world. This is planned to be achieved by increasing cultivated lands from 15 million hectares to 18 million and by introducing extensive use of agricultural chemicals. Current average grain yield per hectare stands at about 12 quintals. Industry specialists note that climatic conditions in the wheat growing areas in the north of Kazakhstan permit increasing average yield rates up to 20 quintals per hectare, provided farmers use modern technologies and sufficient amount of agricultural chemicals.

In 2007, Kazakhstan achieved a record harvest of 22.4 million tons of grain in bunker weight. Farmers expect to harvest about 18 million tons of grain in 2008. Good yields combined with record high prices on wheat generate strong sales opportunities for agricultural chemicals suppliers.

### Growing Sales Opportunities for U.S. Exporters

Sales of agricultural chemicals, including American-made, have increased in recent years due to several factors. First, high prices on grain have put more money in farmers' pockets, many of whom have become able to purchase Western-made agricultural chemicals for the first time. Second, agricultural producers have favorable financing opportunities due to increased budget financing for agricultural chemical purchases and increased commercial bank financing.

Competition within the agro-chemical market in Kazakhstan is complex, due to the presence of many foreign companies distributing products directly and through their local distributors. There are currently over twenty foreign companies supplying agricultural chemicals to Kazakhstan. Sales to locally licensed or authorized intermediaries and distributors are the most prevalent marketing strategies.

Despite comparatively high prices, U.S. agricultural chemicals enjoy an excellent reputation with Kazakhstani farmers for high efficiency and environmental friendliness. U.S. market share is projected to increase along with overall market growth. U.S. companies, wishing to establish their presence in the Kazakhstani market should consider such key competitive factors as pricing, including flexible financing, and increasing awareness of Kazakhstani managers on the availability of U.S.-made agricultural chemicals.

### Best Prospects

Local agricultural chemical production meets only 15% of Kazakhstan annual needs, and even this limited production depends on imported raw materials. Local production of pesticides is very limited and demand is almost totally satisfied by imports.

Best prospects reflect Kazakhstan's demand for herbicides, insecticides, and fungicides. Since agricultural producers are focused on increasing agricultural yields to benefit from high prices on agricultural commodities, it is projected that the agricultural chemicals market will continue to grow.

### Certification and Customs Procedures

All imported agricultural chemicals are subject to state registration and licensing. State registration process includes testing and environmental and sanitary-hygienic assessment conducted by the Ministry of Agriculture. The registration certificate is valid for ten years. Upon the expiry of this period, the chemical should be reregistered. Organizations engaged in importing agricultural chemicals should receive an import license from the Ministry of Industry and Trade, however, licensing applications are subject for approval by the Ministry of Agriculture.

Agricultural chemicals are subject to 5-10% customs duty plus a 50 Euro processing fee for every customs clearance deal. For detailed information on customs regulations, please visit the website of the Almaty Department on Customs Control. Customs clearance is generally a complicated procedure in Kazakhstan and it is recommended to use the services of local customs brokers.

### Trade Promotion Opportunities

#### **Agroprodexpo 2008** ([www.exhibitions.kz](http://www.exhibitions.kz))

October 30- November 1, 2008, in Astana.

#### **U.S. Catalog Show at Agroprodexpo 2008**

October 30- November 1, 2008, in Astana.

[http://www.buyusa.gov/kazakhstan/en/trade\\_events\\_by\\_almaty\\_office.html](http://www.buyusa.gov/kazakhstan/en/trade_events_by_almaty_office.html)

For a nominal fee of \$300, the U.S. Commercial Service in Almaty will present your company's product information to visitors at Agroprodexpo 2008, collecting trade leads of firms that show an interest in your product. After the trade show, we will send you a detailed listing of the most qualified potential buyers/distributors and market insights. Participation fee also includes translation of your product information summary into Russian, as well distribution of your product information during outreach trips to Kazakhstan's agriculture centers along with any leads that result from this outreach.

#### **WorldFood Kazakhstan 2008** ([www.worldfood.kz](http://www.worldfood.kz))

November 4-7, 2008, in Almaty. This trade show is collocated with AgriCa, the Central Asian International Conference on Agriculture and Food Industry.

#### **Food Industry Week Kazakhstan 2008** ([www.tntexpo.com](http://www.tntexpo.com))

April 15-18, 2009, in Almaty. It is the largest event in the agribusiness industry.

### Resources & Key Contacts

- Almaty Department on Customs Control: [www.almaty.keden.kz](http://www.almaty.keden.kz)
- Comprehensive website on Kazakhstan legislature and economical updates: [www.zakon.kz](http://www.zakon.kz)
- KazagroFinance, State Leasing Organization: [www.kaf.kz](http://www.kaf.kz)
- KazagroMarketing, Information and Analytical portal of Ministry of Agriculture: <http://portal.minagri.kz/C12/MarketingInfo/default.aspx>. KazagroMarketing maintains and disseminates among potential buyers a database of domestic and foreign producers of agricultural machinery and equipment. KazagroMarketing invites foreign suppliers to submit information about their products for inclusion in the database.
- Kazakhstan Electronic Government website: [www.e.gov.kz](http://www.e.gov.kz)
- Ministry of Agriculture of Kazakhstan: [www.minagri.kz](http://www.minagri.kz)

## For More Information

For further market details and information on trade facilitation programs offered by the U.S. Commercial Service exclusively to U.S. companies please contact:

U.S. Commercial Service Almaty  
97 Zholdasabekov St, 15th floor

Almaty 050010, Kazakhstan

Tel: 7 (727) 250-4850, 250-4950

Fax: 7 (727) 250-4967

E-mail: [almaty.office.box@mail.doc.gov](mailto:almaty.office.box@mail.doc.gov)

[www.buyusa.gov/kazakhstan](http://www.buyusa.gov/kazakhstan)

Contact: Ms. Oxana Parshina, Commercial Specialist, [oxana.parshina@mail.doc.gov](mailto:oxana.parshina@mail.doc.gov)

## The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>.

*Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.*

*International copyright, U.S. Department of Commerce, 2008. All rights reserved outside of the United States.*